

PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2009



Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Pastures Revolving Fund as at March 31, 2009 and the statements of operations and accumulated operating surplus and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 11, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

PASTURES REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>2009</u>	<u>2008</u>
Financial Assets		
Accounts receivable	\$ 313,380	\$ 339,516
Liabilities		
Accounts payable	593,442	363,961
Unearned revenue	746,633	741,091
Accumulated net expenditure (Statement 3)	<u>2,408,138</u>	<u>2,638,269</u>
	<u>3,748,213</u>	<u>3,743,321</u>
Net Debt	<u>(3,434,833)</u>	<u>(3,403,805)</u>
Non-Financial Assets		
Inventories held for consumption	203,929	217,393
Tangible capital assets (Note 6)	<u>3,827,606</u>	<u>3,578,560</u>
	<u>4,031,535</u>	<u>3,795,953</u>
Accumulated Operating Surplus (Statement 2)	<u>\$ 596,702</u>	<u>\$ 392,148</u>

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ending March 31

	Budget 2009	Actual 2009	Actual 2008
REVENUES			
Grazing	\$ 5,416,348	\$ 5,577,807	\$ 5,546,660
Petroleum and gas leases	1,775,000	1,713,562	1,582,189
Bull wintering	213,905	216,508	229,447
Timber sales	90,000	56,486	4,610
House rent	35,110	33,947	38,331
Seismic and easement	17,500	139,943	54,535
Hay	1,000	9,950	64,375
Gain on disposal of tangible capital assets	—	223,746	1,376
Other	54,982	72,666	44,574
	<u>7,603,845</u>	<u>8,044,615</u>	<u>7,566,097</u>
EXPENSES			
Salaries	3,786,304	3,840,942	3,595,121
Repairs and improvements	702,753	764,647	833,273
Taxes	996,894	932,933	952,586
Seed and forage	299,918	352,525	306,487
Rent of equipment, horses and other	282,115	288,276	281,868
Amortization	398,778	411,112	418,890
Travel	363,711	362,490	327,499
Small tools, equipment, and supplies	265,833	324,335	356,574
Utilities	116,350	116,628	141,137
Veterinary fees and supplies	81,550	54,015	70,342
Telephone/Communications	140,190	236,179	94,403
Bad debt expense	—	28,657	44,737
Freight and postage	13,950	23,113	21,220
Advertising and printing	6,150	3,789	6,024
Other	126,580	100,420	106,045
	<u>7,581,076</u>	<u>7,840,061</u>	<u>7,556,206</u>
Surplus	<u>\$ 22,769</u>	204,554	9,891
Accumulated operating surplus, beginning of year		<u>392,148</u>	<u>382,257</u>
Accumulated operating surplus, end of year – to Statement 1		<u>\$ 596,702</u>	<u>\$ 392,148</u>

(See accompanying notes to the financial statements)

Statement 3

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	<u>2009</u>	<u>2008</u>
Financing required for (provided by) operating activities:		
Net income	\$ (204,554)	\$ (9,891)
Items not affecting cash:		
Amortization	(411,112)	(418,890)
Bad debt expense	(28,657)	(44,737)
Gain on disposal of tangible capital assets	223,746	1,376
Net increase in working capital items related to operations (Note 11)	<u>(245,966)</u>	<u>(263,070)</u>
	<u>(666,543)</u>	<u>(735,212)</u>
Financing required for (provided by) investing activities:		
Purchase of tangible capital assets	684,884	706,185
Proceeds from sale of tangible capital assets	<u>(248,472)</u>	<u>(3,901)</u>
	<u>436,412</u>	<u>702,284</u>
Net decrease in financing requirements	(230,131)	(32,928)
Accumulated net expenditure, beginning of year	<u>2,638,269</u>	<u>2,671,197</u>
Accumulated net expenditure, end of year – to Statement 1	<u><u>\$ 2,408,138</u></u>	<u><u>\$ 2,638,269</u></u>

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable for the public sector. These financial statements do not present a Statement of Change in Net Debt or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 11.

The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Inventories Held for Consumption

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are

removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus. Amortization of all tangible capital assets is charged to operations using the straight-line method at the following rates:

Land Improvements (fencing, water sites, corrals, etc.)	6.67%
Buildings	5%
Equipment and Vehicles	10%
Office equipment	10%

Tangible capital assets that are acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

f) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Surface lease revenue is recognized on a month start basis and billed in advance for the year.

Timber revenue is recognized when the timber is harvested and its value is determined.

g) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue and grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

h) Use of Estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

i) Tangible Capital Asset Thresholds

The threshold limits for capitalizing tangible capital assets are as follows:

Buildings	\$ 5,000
Vehicles	5,000
Equipment	1,000
Office equipment	1,000
Land improvements	5,000

3. Change in Accounting Policy

Effective April 1, 2008, the Revolving Fund adopted the standards established by the Public Sector Accounting Board. Other than presentation, the adoption of these standards has not affected the amounts recorded in the Revolving Fund's financial position or results of operations.

4. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of \$10,000,000.

5. Accumulated Operating Surplus

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is \$700,000.

6. Tangible Capital Assets

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment and Vehicles	\$ 2,770,836	\$ 1,528,109	\$ 1,242,727	\$ 1,247,985
Buildings	619,499	197,527	421,972	422,127
Office equipment	47,912	47,912	—	—
Land	19,000	—	19,000	19,000
Land improvements	<u>3,521,747</u>	<u>1,377,840</u>	<u>2,143,907</u>	<u>1,889,448</u>
Total	<u>\$ 6,978,994</u>	<u>\$ 3,151,388</u>	<u>\$ 3,827,606</u>	<u>\$ 3,578,560</u>

7. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	<u>2009</u>	<u>2008</u>
Financial statement category:		
Expenses	\$ 428,737	\$ 333,314
Purchase of tangible capital assets	58,283	97,170
Accounts payable	180,167	50,801
Accounts receivable	1,198	1,955

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Amount Reported in Public Accounts

The net recovery (expenditure) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	<u>2009</u>	<u>2008</u>
Net income	\$ 204,554	\$ 9,891
Decrease in inventory balance recorded by the Revolving Fund	13,464	74,433
(Increase) in tangible capital assets recorded by the Revolving Fund	(249,046)	(284,771)
Timing differences in recording revenues/expenses	<u>315,291</u>	<u>(144,210)</u>
Net recovery (expenditure) reported in Public Accounts	<u>\$ 284,263</u>	<u>\$ (344,657)</u>

10. Credit Risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is \$438,170 at March 31, 2009 with an allowance for doubtful accounts of \$124,790. Some of the receivables were received shortly after year end reducing the credit risk.

11. Net Change in Working Capital Items Related to Operations

	<u>2009</u>	<u>2008</u>
Working capital changes:		
Increase (decrease) in accounts receivable	\$ 2,521	\$ (144,434)
(Decrease) in inventories held for consumption	(13,464)	(74,433)
(Increase) decrease in accounts payable	(229,481)	60,946
(Increase) in unearned revenue	<u>(5,542)</u>	<u>(105,149)</u>
Total	<u>\$ (245,966)</u>	<u>\$ (263,070)</u>